BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

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- **BC's unemployment rate climbs to 9.1% in September as the number of jobs shrinks 0.3%**
- **Energy continues to boost BC's export performance**
- **Brussels sprouts? Not very popular among students (Have a happy Thanksgiving, whether you eat them or not!)**

Labour Force

- **British Columbia's unemployment rate jumped 0.4 percentage points in September, rising to 9.1% (seasonally adjusted), its highest level in more than a year.** The increase in the jobless rate came as employment shrank (-0.3%) while the size of the labour force continued to expand (+0.1%). BC is not the only province where unemployment rates are creeping up. The jobless rate rose in five provinces last month. Manitoba (+0.9 percentage point, to 5.8%) saw the biggest increase in the rate of unemployment, and the biggest drop (-1.5%) in the number of people with jobs. Newfoundland, which traditionally has the highest unemployment rate in the country saw the jobless rate rise 0.8 percentage points (to 16.4%), despite solid employment growth (+0.4%), as the province's labour force expanded (+1.3%) for the third month in a row. Newfoundland is experiencing population growth for the first time in a decade, as a booming economy, largely fuelled by the energy sector, is drawing people to the province. Canada's unemployment rate was unchanged at 8.0% in September. Weaker labour market conditions in some parts of the country were offset by improvements in other regions, notably Alberta and Quebec. *Source: Statistics Canada*

- **There were fewer jobs (-1.8%, seasonally adjusted) in BC's goods sector, as most industries pared down their workforce.** Forestry, fishing and mining (+8.7%) was the lone exception. The job growth in these industries was largely due to mining and fishing. The forest sector remained stagnant. On the service side, employment stalled (+0.1%). Transportation and warehousing (-4.7%) fell back after advancing in August, while the education, health care, and management and administration industries cut back the size of their workforce. The news was not all dreary, however. Wholesale and retail trade (+1.6%) bounced back, and most other service industries made solid gains. The number of jobs in public administration rose 4.0% as the federal government hired more workers.

  Source: Statistics Canada

- **For the third month in a row, the number of public sector jobs in the province declined (-1.1%), while private sector employment advanced (+0.7%).** Self-employment (-2.4%) was down in September. For the first time since May, men (+0.8%) were more likely to find new work than women (-1.4%). However, the unemployment rate for men (9.7%) remained considerably higher than for women (8.3%). There were fewer part-time (-0.7%), and full-time (-0.1%) jobs.

  Source: Statistics Canada

The Economy

- **Exports of BC products were up 2.4% in August, relative to the same month last year.** The increase was due to sales of energy products, which were nearly double (+92.9%) the August 2002 value. Exports of industrial products also advanced (+2.2%). However, forest products, the dominant export commodity, were down 8.3%, and international shipments of machinery and equipment (-8.7%) and agriculture and fish products (-12.5%) also slumped.

  BC, Nova Scotia (+1.9%) and Alberta (+27.7%), where energy products accounted for most of the increase, were the only provinces to escape a general downturn in the value of exports. Canadian exports slipped 9.9%, with substantial declines recorded in both Ontario (-20.0%) and Quebec (-11.0%),

Report Chartered bank business loans continue decline

Did you know...
The 2003 Ig Nobel prize for Literature was awarded to John Trinkaus, who has researched, among other things, the lowly brussels sprout. He found that 50% of students disliked the vegetable, 40% were indifferent, and just 10% actually enjoyed eating them. BC is Canada's biggest producer of brussels sprouts, growing 2,132 tonnes in 2002.

where exports have been falling since February. Both provinces posted substantial declines in industrial goods, machinery and equipment, and automotive products, which account for the bulk of their international shipments. Ontario's auto exports plunged 24.9% in August, and were down 8.9%, year-to-date. The power outage in Ontario was a significant factor in August's decline, as plants were shut down until the power could be restored. *Source: Statistics Canada*

Seasonally adjusted export data for BC will be available next week.

- **Non-residential building construction in the province continued to slump in the third quarter, declining 3.6% (seasonally adjusted).** Industrial (-10.8%), commercial (-3.7%) and institutional & government (-0.4%) spending all declined. Although residential building activity in the province has been booming, investment in other types of buildings has been falling during most of the last two years. The latest decline was largely due to weakness in the Vancouver market, where investment was down 7.1% from the second quarter level. Spending on non-residential buildings in Victoria climbed 3.1%, and in Abbotsford the increase was 2.6%.

  Nationally, investment in non-residential buildings rose 2.0%, reflecting increases in all but two regions. Atlantic Canada, in particular, is seeing a non-residential building boom, with three of the four provinces in that region posting double-digit gains ranging from 19.1% to 33.2%. The Prairie provinces saw more modest growth, while spending in both Quebec (+0.7%) and Ontario (+0.9%) increased less than one percent. *Source: Statistics Canada*

- **BC's residential building boom continued in September, with housing starts in the province increasing 9.2% (seasonally adjusted).** PEI (+28.6%) was the only province to see a bigger increase in the number of starts. Builders were also kept busy in Alberta (+3.6%), but starts were weak in the rest of the country. They declined 1.1% at the national level. *Source: CMHC*

- **The cost of new housing in BC's two largest cities continued to rise in August.** Builder's prices for new homes in Vancouver were 3.5% higher than they had been a year earlier, while the New Housing Price Index (NHPI) in Victoria was up 8.4%, more than in any other city except Quebec (+9.3%). The average increase for the 21 urban centres included in the survey was 4.7%. Prices were up in every city except Windsor, where they were unchanged from August 2002.

  Both house (+7.4%) and land (+12.9%) prices increased sharply in Victoria. The increase in Vancouver was primarily driven by prices for housing (+5.0%). Land prices were only marginally higher (+1.2%) than in August 2002. *Source: Statistics Canada*

- **The value of building permits issued by BC municipalities plunged (-17.6%, seasonally adjusted) in September, after soaring (+25.9%) in the previous month.** Building intentions in both the residential (-14.3%) and non-residential (-23.9%) sectors were down significantly. Permits fell in most provinces, declining 13.4% overall. *Source: Statistics Canada*

- **There were 684 consumer bankruptcies recorded in the province in August.** This was down substantially (-14.2%) from the same month last year, when the number was 797. Overall, there were 6,405 consumer bankruptcies recorded in Canada in August, a marginal (+0.7%) increase over the same month last year. *Source: Industry Canada*

- **Sixty-one BC firms, with total liabilities of $41 million, were registered as bankrupt in August.** Bankruptcies were down sharply (-30.7%) from the same month last year. Construction (11), retail trade (10), and accommodation and food services (9) were the industries that recorded the largest number of bankruptcies. Nationwide, there were 571 business bankruptcies, 22.1% less than in August 2002. *Source: Industry Canada*

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Infoline Report

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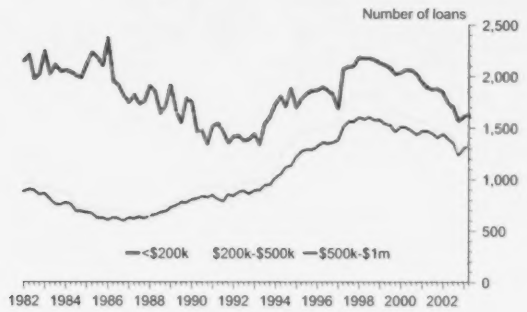
Chartered Bank Business Loans Continue to Decline

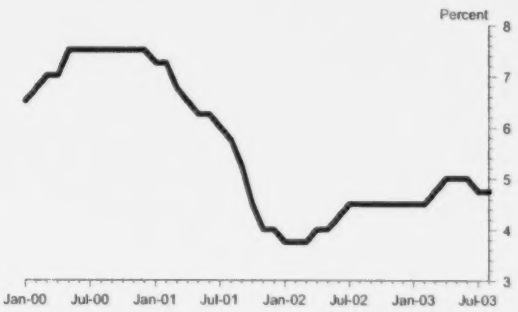
Chartered bank business loans in British Columbia have been on the decline since 1998, particularly for loans valued at less than a million dollars, which is generally the size range for loans to small and medium-sized enterprises (SMEs). Even with the relatively low prime lending rates experienced over the last couple of years, the number of loans to SMEs has been falling. There are a couple of possible reasons for this: either the chartered banks are approving fewer loans or the SMEs are not requesting as many.

Chartered bank business loans in BC have been falling since 1998



Based on the results of different surveys of SMEs, the answer may be a combination of both these possibilities. According to a survey by the Canadian Federation of Independent Business (CFIB), there has been a steady decline in the number of small businesses seeking financing across the country in the last decade.[1] The study suggests that the trend has been unrelated to the business cycle and could be due to businesses seeking other forms of financing.

The prime lending rate has remained relatively low over the last couple of years



According to the report, the highest demand for financing derives from younger firms, but at the same time, these firms are the most likely to have their requests for loans denied. There is also a strong correlation between employee size and loan rejection. Businesses with fewer than five employees are over three times more likely to have their application for a loan denied than those with between 50 and 99 employees, and more than five times more likely than businesses with over 100 employees.

As a result, small, young, high-performing businesses are the most underfinanced type of business. In British Columbia, businesses fitting this description would include those in the high technology sector, which is often heralded as a growing, vital part of the provincial economy. The difficulty in securing loans is exacerbated further for these types of businesses by the fact that the British Columbia/Yukon region has the lowest debt approval rate in the country.[2] This problem underscores the need for other types of financing such as, for example, venture capital.

[1] Bruce, Doug. *Banking on Entrepreneurship: Results of CFIB Banking Survey*, Canadian Federation of Independent Business, March 2001.

[2] *Small and Medium-Sized Enterprise (SME) Financing in Canada*, Government of Canada, 2002.

According to a federal government study on SME financing, only 2.4% of reporting SMEs in the country made a request for risk capital in 2000.[3] However, even this number may be inflated due to the way the survey was worded and the fact that government grants were grouped together with venture capital.

The same study suggests that while loans from chartered banks are still one of the main sources of debt for small businesses, there is a waning demand for them. Some of the reasons for the decline in demand for chartered bank business loans include an increase in the use of equity financing, a rise in lease financing (for things like automobiles, machinery and equipment, computers and other office equipment), more reliance on loans from family and friends and a movement toward other financial institutions like credit unions where approval rates for loan requests are higher. For smaller firms, another option that is often employed is the use of short-term debt instruments like credit cards.

Small businesses are not only moving to credit unions for loans, but also for financial services in general. The CFIB survey asked businesses to rank financial institutions in several areas, including level of financing, lending terms, service charges and so on, and in most cases the big banks ranked below credit unions and trust companies. The one area where the big banks were given top marks was with regard to on-line banking services; however, two-thirds of the survey's respondents did not consider on-line banking to be a substitute for branch banking, preferring face-to-face contact. SMEs complained about poor service, unfair service charges and lack of available credit as reasons for moving away from the chartered banks to credit unions.

There is a certain irony in all this in that there seems to be a movement by the large Canadian banks away from lending to large corporations to concentrating their services on those corporations that do other business with them.[4] If larger corporations share the opinion of the SMEs, this does not bode well for this strategy.

The combination of the banks' reluctance to give loans to firms with which they do not do other business and the movement of small businesses toward other financing alternatives may be a signal that chartered bank business loans may not experience a rebound anytime soon,

[3] Ibid, p. 11.

[4] Freedman, Charles and Walter Engert. *Financial Developments in Canada: Past Trends and Future Challenges*, Bank of Canada Review, Summer 2003.

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BC at a glance . . .

POPULATION (thousands)	Jul 1/03	% change on one year ago
BC	4,146.6	0.8
Canada	31,629.7	0.9
GDP and INCOME		
(BC - at market prices)	2002 Prelim.	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	134,365	2.7
GDP *($ 1997 millions)*	126,141	1.8
GDP *($ 1997 per Capita)*	30,459	0.8
Personal Disposable Income *($ 1997 per Capita)*	19,445	-0.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jul	2,718	1.0
Merchandise Exports - Jul	2,544	-2.0
Retail Sales - Jul	3,409	0.3
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Aug '03	% change
BC	120.9	2.5
Canada	122.5	3.3
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Sep '03	prev. month
Labour Force - BC	2,219	0.1
Employed - BC	2,018	-0.3
Unemployed - BC	201	4.0
		Aug '03
Unemployment Rate - BC *(percent)*	9.1	8.7
Unemployment Rate - Canada *(percent)*	8.0	8.0
INTEREST RATES (percent)	Oct 8/03	Oct 9/02
Prime Business Rate	4.50	4.50
Conventional Mortgages - 1 year	4.55	5.30
- 5 year	6.15	6.70
US/CANADA EXCHANGE RATE	Oct 8/03	Oct 9/02
(avg. noon spot rate) Cdn $	1.3336	1.5931
US $ *(reciprocal of the closing rate)*	0.7499	0.6258
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Sep '03	one year ago
BC	686.99	2.7
Canada	669.59	2.4

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Survey Workshop
Learn from the Experts

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Next week

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- Quarterly Regional Statistics, 2nd Quarter 2003
- Major Projects Inventory, June 2003
- Exports, August 2003

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